

PM: We have the courage to change our ways

By Vijayan Menon

KUALA LUMPUR, Fri. — Malaysia has got to where it is today because it has dared to change, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Dr Mahathir said: "We possess the humility to accept what cannot be changed and the courage to change what cannot be accepted, and the wisdom to distinguish one from the other."

"Malaysia has looked West and has looked East. We have accepted change when change is due. In management, Malaysia has been innovative and has even dared to try some new approaches."

He said to progress one had to be not only daring but also prudently adventurous.

The Prime Minister added: "Provided our managers and owners play their roles in the way outlined and provided we really practise good responsible management, we can make new and unfamiliar businesses pay."

"Be prudent by all means, but be adventurous also."

He said since Malaysia's goal was to join the ranks of the industrialised nations, it would make sense to study their accomplishments as well as their failures.

"We have to emulate their management practices to the extent that they can be of help to us," Dr Mahathir said in his speech on the management policy for Malaysia at a dinner hosted by the Harvard Club at the Shangri-La Hotel here today.

Dr Mahathir said there was no shortage of management literature on the success stories of Japan and the West.

"However, it also appears that some of the (so-called) best management theories and ideas have proven to be mere passing fads, or failures when challenged."

He said the 1980s witnessed a spectacular rise of management schools, consultants and gurus who capitalised on the insecurities of Western managers fearful of foreign competition and economic decline.

The new gurus, he said, gave importance to the human element in management philosophy.

"Amidst all this gurus' hype and the lure of new management fads, what can we in Malaysia use, if at all? Stripped to their essentials, these management theorists have two things in common."

Firstly, they are all on the side of change and secondly, they provide lots of exper-

Shareholders must have say in how company is run, says Dr M

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tise to sift through and to choose from.

Dr Mahathir said Malaysia had moved into big business and billion-ringgit companies were not uncommon now.

Obviously, he said, huge diversified corporations cannot be managed like a family business or a sole proprietorship. They need professional managers.

"Sole proprietors and company founders are seldom trained professionals. To expand and build a business empire the proprietors and founders need the help of professional executives, chief executive officers and managers."

However, he said, in the United States the pendulum has swung too far.

Professional executive officers and managers have come to be regarded as so important that the shareholders, even substantial shareholders, have lost almost totally their influence and role in the company.

He said: "Power corrupts. The powerful CEOs in the US and other Western countries are no exception. And so we find that by 1993, US CEOs draw about 150 times the average salary in his company while in 1974 it

was only 34 times."

For instance, he said, the CEO of Walt Disney took in US\$203 million (RM528m) last year, about US\$500,000 a day. Even bankrupt US companies continued to pay huge sums to their executives — the managers who had apparently managed the companies to bankruptcy.

He said shareholders tolerated them because public adulation of the CEOs made the shareholders almost irrelevant to the company.

"But the moment competitors, particularly foreign ones, appeared on the scene with better and cheaper products, the profitability of the old corporations could not be sustained."

"In the late 1980s the great corporations of America fell one by one."

The Japanese too regard their shareholders as irrelevant. But Japanese CEOs and executives are not so highly paid. Instead they are long on company loyalty, regarding the success of their corporations as a matter of personal responsibility of all the executives and employees.

"Despite relegating shareholders to the background and treating them as irrelevant, like the American cor-

porations, Japanese companies managed to expand and compete successfully with their foreign rivals."

Dr Mahathir said Malaysians were very fond of the 51 per cent share.

"Obviously if they have the majority share, they can push through their wishes irrespective of the views of the other shareholders. The company may lose but the majority shareholders may still make something for themselves."

"In a company with small capital, the dominance of one shareholder over the rest may not seem unfair. But in a multi-million ringgit company, the 49-per cent shareholder has a lot of money at stake."

He said if things went wrong the minority shareholder would lose almost as much as the majority shareholder.

"One reason why the Government stipulates that each shareholder in a bank should not hold more than 20 per cent of the share is because of this. Powerful shareholders can play havoc with banks but with everyone holding no more than 20 per cent each, voting power cannot override good ideas or prudence."

The same, he said, should

apply to all corporations as no one should hold such an absolute majority as to ignore the views of others.

Shareholder directors on the board, who hold sufficiently large stakes, should be able to exercise some authority over the executives, particularly the CEOs.

High pay, bonus and share options are good incentives but they should not be excessive. There should be a sufficiently knowledgeable board so as to ensure that the professionals are not doing the wrong thing, especially in feathering their own nests, he said.

In Malaysia, the Prime Minister said, business is not a profession to be left entirely to professionals. Professionals should make sure that the administration of the business should be correct and proper.

"They should see that every part of the business functions properly. They should be up to date in terms of the latest management techniques and technological innovations."

"They should be innovative in management and in helping the progress of the corporations. They should, above all, know how to handle people, including possibly the board," he said.

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